

## **Region 2 Planning Commission**

Financial Statements and  
Independent Auditors' Report

Year Ended September 30, 2008

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## Independent Auditors' Report

Board of Commissioners  
Region 2 Planning Commission  
Jackson, Michigan

We have audited the accompanying financial statements of the business-type activities the Region 2 Planning Commission as of and for the year ended September 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Region 2 Planning Commission as of September 30, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 12, 2009, on our consideration of Region 2 Planning Commission's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Region 2 Planning Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

February 12, 2009

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**Region 2 Planning Commission**  
Management's Discussion and Analysis  
Year Ended September 30, 2008

As management of the Region 2 Planning Commission (R2PC), we offer to readers of the R2PC's financial statements this narrative overview and analysis of the financial activities of the Region 2 Planning Commission for the fiscal year ending September 30, 2008.

**Financial Highlights**

- The net assets of R2PC exceeded its liabilities at the close of fiscal year 2008 by \$180,239. Of this amount, \$147,259 (unrestricted net assets) may be used to meet the R2PC's ongoing obligations to municipalities and creditors.
- The R2PC's total net assets increased by \$7,005.
- Expenses were equal to a total of \$826,345. Revenues, which totaled \$833,350 coming from various sources including membership and service fees plus federal, state, and local grants offset the expenses to increase net assets by the amount of \$7,005.

**Overview of the Financial Statements**

The Management's Discussion and Analysis is intended to be an introduction to the R2PC's basic financial statements. R2PC maintains one type of proprietary fund. The Enterprise Fund is to report the same type of information as government-wide financial statements. R2PC's basic four parts to the financial statements are: statement of net assets; statement of revenues, expenses and changes in net assets; statement of cash flows; and notes to the financial statements.

The *statement of net assets* presents R2PC's net assets and liabilities with the difference between the two reported as total net assets. Over time, the unrestricted portion of the total net assets can fluctuate from year to year. Increases or decreases in net assets may serve as an indicator of whether the financial position of R2PC is improving or declining. This statement is on page 1 of the audit report.

The *statement of revenues, expenses and changes in net assets* is information on revenues and expenses. This statement calculates the change in net assets from year to year. A fluctuation in net assets (either an increase or decrease) is representative of the current fiscal year. The statement of revenues, expenses, and changes in net assets is on page 2 of the audit report.

The *statement of cash flows* consists of the operating activities of R2PC. This includes the increase (decrease) in net assets and depreciation. The net changes in accounts receivable, accounts payable, accrued expenses (leave balances) and deferred revenue are captured in this table. Any additions to equipment are also included. The statement of cash flows is on page 3 of this audit report.

The *notes to financial statements* provide additional information which is essential to the full understanding of the data provided in the financial statements. Notes to financial statements provide information regarding the determination of a provisional indirect cost rate, contributed (in-kind) services, and leases. The *notes to financial statements* are on pages 4 – 9, with supplemental information found on pages 10 – 12.

This information provides users with an indicator of the R2PC's financial condition for the current fiscal year. The planning, zoning, ordinance, and metropolitan planning are supported by grants, membership and service fees, contributed (in-kind) services, and other projects.

**Region 2 Planning Commission**  
Management's Discussion and Analysis – (Continued)  
Year Ended September 30, 2008

**Financial Analysis**

*Statement of Net Assets* – Total assets of R2PC exceeded total liabilities by \$180,239. The investment of capital assets net of related debt is 0.00%. The R2PC did not incur additional current debt during the fiscal year.

	<u>FY 2008</u>	<u>FY 2007</u>
Current assets	\$414,001	\$407,002
Capital assets	<u>-</u>	<u>4,772</u>
Total assets	<u>414,001</u>	<u>411,774</u>
Current liabilities	<u>233,762</u>	<u>238,540</u>
Total liabilities	<u>233,762</u>	<u>238,540</u>
Net Assets		
Invested in capital assets	-	4,772
Restricted – JTSP	32,980	6,336
Unrestricted	<u>147,259</u>	<u>162,126</u>
Total net assets	<u>\$180,239</u>	<u>\$173,234</u>

The unrestricted portion of \$147,259 is available to meet R2PC's ongoing obligations. The restricted portion of \$32,980 is to meet obligations for the Jackson Traffic Safety Program (JTSP), which issues local grants to the County of Jackson policing agencies. The revenue is earned from a portion of traffic ticket fines.

*Statement of Revenues, Expenses, and Changes in Net Assets* – During the current fiscal year, R2PC had an increase in net assets of \$7,005. The increase was a result of an adjusting journal entry to record August and September revenue for the JTSP program for FY 2008.

	<u>FY 2008</u>	<u>FY 2007</u>
Operating revenues	\$833,350	\$756,408
Total revenues	<u>833,350</u>	<u>756,408</u>
Expenses	<u>826,345</u>	<u>838,403</u>
Total expenses	<u>826,345</u>	<u>838,403</u>
Change in net assets	<u>7,005</u>	<u>(81,995)</u>
Ending net assets	<u>\$180,239</u>	<u>\$173,234</u>

**Region 2 Planning Commission**  
Management's Discussion and Analysis – (Continued)  
Year Ended September 30, 2008

**Capital Assets and Debt Administration**

*Capital Assets* - R2PC did not acquire any capital assets during FY 2008. Capital assets belonging to R2PC consist of furniture and equipment. R2PC does not have any land or buildings to depreciate at this time. The capital assets should be capitalized at the total acquisition cost if the cost exceeds \$5,000 and the expected useful life of the asset is more than three years. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset.

	<u>FY 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>FY 2008</u>
Furniture and equipment	\$130,128	\$ -	\$ -	\$130,128
Accumulated depreciation	<u>125,356</u>	<u>(4,772)</u>	<u>-</u>	<u>130,128</u>
Total capital assets - net	\$ <u>4,772</u>	\$ <u>(4,772)</u>	\$ <u>-</u>	\$ <u>-</u>

**Outstanding Debt** – R2PC did not have any outstanding debt for FY 2008.

**Other Significant Items**

R2PC's budget is prepared annually. A significant portion of the annual budget is the Unified Work Program (UWP), and is approved by the Michigan Department of Transportation (MDOT). The UWP may be amended during the fiscal year if planning work exceeds the original UWP. Local agencies, along with MDOT, Federal Transit Administration (FTA), and the Federal Highway Administration (FHWA) participate in the budget process. The provisional indirect cost rate is prorated for the UWP. Costs are estimated (wages, fringes, and indirect costs) for quarterly billing purposes. Adjustments to actual costs incurred are made at the end of the fiscal year.

Local matching (in-kind) contributions are required by the FTA and FHWA for two of R2PC's Metropolitan Planning Organization (MPO) projects. Currently, the City of Jackson and the Jackson Transit Authority prepare accurate documentation for FHWA and FTA, respectively. The actual work completed may exceed the calculated in-kind contribution requirements.

The ongoing concerns of R2PC are similar to other municipalities throughout the State of Michigan. R2PC relies on municipal membership dues, and additional zoning, ordinance and planning work as a source of revenue. With a decrease in State shared revenue, smaller municipalities may not use R2PC as a resource for their planning and zoning needs.

**Requests for Information**

This financial report is designed to provide a general overview of R2PC's finances for those who are interested in municipal government. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Julie A. Hill, Accountant, Region 2 Planning Commission, 120 W. Michigan Avenue, Jackson, MI 49201.

**Region 2 Planning Commission**  
Statement of Net Assets  
September 30, 2008

**Assets:**

Current assets:

Cash and cash equivalents	\$ 168,947
Accounts receivable	245,054
Total current assets	<u>414,001</u>

Property and equipment, net of accumulated depreciation

Total assets	<u>-</u> <u>414,001</u>
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**Liabilities:**

Current liabilities:

Accounts payable	83,507
Due to other governments	10,225
Accrued wages and compensated absences	62,683
Deferred revenue	77,347
Total current liabilities	<u>233,762</u>

**Net Assets:**

Invested in capital assets - net of related debt	-
Restricted - JTSP	32,980
Unrestricted	147,259
Total net assets	<u>\$ 180,239</u>

See Notes to Financial Statements.

**Region 2 Planning Commission**  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended September 30, 2008

**Revenues:**

Grants:	
Federal	\$ 285,933
State	60,528
Local	152,693
Membership and service fees	339,985
Other revenues	(5,789)
Total revenues	<u>833,350</u>

**Expenses:**

Salaries and wages	255,256
Employee benefits	82,587
Other direct costs	224,092
Indirect costs	<u>264,410</u>
Total expenses	<u>826,345</u>

<b>Increase (Decrease) in Net Assets</b>	7,005
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<b>Net Assets - Beginning of Year</b>	<u>173,234</u>
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<b>Net Assets - End of Year</b>	<u><u>\$ 180,239</u></u>
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See Notes to Financial Statements.



**Region 2 Planning Commission**  
Statement of Cash Flows  
Year Ended September 30, 2008

**Cash Flows from Operating Activities:**

Increase (decrease) in net assets	\$ 7,005
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	4,772
Net change in:	
Accounts receivable	(69,403)
Due to other governments	10,225
Accounts payable	(45,667)
Accrued expenses	20,907
Deferred revenue	9,757
Total adjustments	(69,409)
Net cash provided (used) by operating activities	(62,404)

**Net Increase (Decrease) in Cash and Cash Equivalents** (62,404)

**Cash and Cash Equivalents - Beginning of Year** 231,351

**Cash and Cash Equivalents - End of Year** \$ 168,947

See Notes to Financial Statements.

## **Region 2 Planning Commission**

### **Notes to Financial Statements**

#### **Note 1 - Summary of Significant Accounting Policies**

##### **Reporting Entity**

Region 2 Planning Commission (the Commission) was established under Act 281 of 1945, the Michigan Regional Planning Commission Act, as amended. The Commission is a voluntary association of local units of government serving Hillsdale, Jackson, and Lenawee Counties. The primary purpose of the Commission is to prepare plans for the area and to serve as the planning, research, and advisory arm of governmental units.

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to local governmental units. Because the Commission provides a service to citizens and local governments that is financed primarily by user charges, membership fees and charges for services, the accounts of the Commission are accounted for as an Enterprise Fund, utilizing the full accrual method of accounting.

##### **Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The Commission follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the Commission's financial activities.

##### **Enterprise Fund Accounting**

The Commission uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

##### **Accrual Basis**

The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

##### **Budgetary Data**

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Commission because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

## **Region 2 Planning Commission**

### **Notes to Financial Statements**

#### **Note 1 - Summary of Significant Accounting Policies (Continued)**

##### **Budgetary Data (Continued)**

Budget Process - The Commission uses no formal budgeting process at this time. The Director develops the budget based on both prior year results and knowledge of current year events. The budget is presented to the Board and approved prior to the start of the fiscal year. Amendments to the Commission's budget throughout the year are not presented to the Board; however, amendments to individual project budgets are subject to Board approval.

##### **Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Commission reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Commission intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Commission had no investments at September 30, 2008.

State statutes authorize the Commission to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Commission is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

##### **Property and Equipment**

Property and equipment are recorded at cost if initial cost is \$5,000 or greater and estimated useful life is three years or greater. Depreciation is provided in amounts sufficient to depreciate the cost of fixed assets over their estimated service lives on a straight-line basis. Assets include office and computer equipment, and are depreciated on the straight-line basis over three to five years.

##### **Deferred Revenue**

Under the accrual basis of accounting, amounts that have been collected before the related service has been performed are classified as deferred revenues. The Commission's deferred revenues represent membership fees collected from local government units and JTSP.

**Region 2 Planning Commission**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Grant Revenues**

Federal grants received are reimbursement-type grants that are recorded as receivables and revenues when the related expense is incurred.

**Pension Plan**

The provision for pension cost is recorded on an accrual basis. The Commission's policy is to fund pension costs as they accrue.

**Compensated Absences**

Commission employees earn and accumulate vacation and sick leave in varying amounts based on hours worked and length of service. Upon termination, employees receive payment for all unused vacation and 50% of available sick leave in accordance with established policies. Accordingly, the Commission recognizes the cost of earned compensated absences when the liability is incurred. Unused benefits are recorded as a current liability in the financial statements.

**Net Assets**

Net assets of the Commission are classified in three components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net assets are restricted for a certain purpose as directed by grantor. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

**Note 2 - Deposits and Investments**

At year-end, the Commission's deposits and investments were reported in the basic financial statements as cash and investments. The breakdown between deposits and investments for the Commission is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 168,917
Petty cash and cash on hand	<u>30</u>
Total	<u>\$ 168,947</u>

**Region 2 Planning Commission**  
Notes to Financial Statements

**Note 2 - Deposits and Investments (Continued)**

**Custodial Credit Risk** - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit. The Commission has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$69,072 of the Commission's bank balance of \$169,072 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Commission had no investments at year-end.

**Note 3 - Accounts Receivable**

The Commission's net accounts receivable at year-end are summarized as follows:

FHWA PL 112	\$ 76,077
FTA Section 5303	19,214
MDOT Section 253	17,100
Asset Management	17,525
Members and other grants	<u>115,138</u>
	<u>\$ 245,054</u>

**Note 4 - Capital Assets**

Capital asset activity of the Commission's proprietary activities at year-end was as follows:

	<b>Balance 10/01/08</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 09/30/08</b>
Capital assets being depreciated:				
Furniture and equipment	\$130,128	\$ -	\$ -	\$130,128
	<u>130,128</u>	<u>-</u>	<u>-</u>	<u>130,128</u>
Accumulated depreciation:				
Furniture and equipment	125,356	4,772	-	130,128
	<u>125,356</u>	<u>4,772</u>	<u>-</u>	<u>130,128</u>
Net capital assets being depreciated	<u>\$ 4,772</u>	<u>\$ (4,772)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation for the fiscal year ended September 30, 2008 totaled \$4,772.

**Region 2 Planning Commission**  
**Notes to Financial Statements**

**Note 5 - Deferred Revenue**

Deferred revenue reported in the accompanying Statement of Net Assets represents funds received from various member organizations and for the Jackson Traffic Safety Program for which matching expenses were not incurred as of year-end. One-third of membership fees are recognized as revenues of the Commission; two-thirds are restricted to fund-specific projects requested by the applicable member. Accordingly, deferred membership fee revenues represent the unexpended balances of the "two-thirds."

Deferred revenue at year-end is summarized as follows:

Member accounts	\$ <u>77,347</u>
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**Note 6 - Defined Contribution Pension Plan**

The Commission provides retirement benefits to all of its full-time employees through a 401(k) Defined Contribution Plan. The plan is administered by ICMA-RC. Employees are eligible to participate as of the following October 1st after the date of hire. Employer contributions are equal to 7.5% of wages for participating employees before any forfeiture related to non-vested employer contributions for terminated employees/participants. Employees currently contribute to the 401(k) plan through ICMA. Employees become fully vested after five years of service. Employer contributions for the year ended September 30, 2008 were approximately \$35,000.

**Note 7 - Indirect Cost Rate**

Annually, the Commission determines a provisional indirect cost rate. On a monthly basis throughout the fiscal year, the rate is re-determined based on actual financial data and applied to the Commission's various activities and program elements. The Commission's final indirect cost rate is presented in an accompanying schedule.

**Note 8 - Contributed Services**

Contributed services consist of expenditures incurred by the City of Jackson for the FHWA PL 112 program and the FTA Section 5303 program totaling \$67,511.

**Note 9 - Leases**

The Commission leases its office space under a month-to-month lease. The terms of the lease call for payments of \$2,738 per month. The current fiscal year expense for the lease was \$32,856.

**Region 2 Planning Commission**  
**Notes to Financial Statements**

**Note 10 - Contingent Liabilities**

Under the terms of its Federal and State grants, periodic audits may be required and certain costs may be questioned as not representing appropriate expenditures under the terms of those grants. Such audits could lead to reimbursement to the grantor agencies. Currently, the Commission's management is disputing certain questioned costs purported by grantor auditors, and the amount of any such disallowances is indeterminable.

No questioned costs were disclosed by this audit.

**Note 11 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Commission carries commercial insurance to cover risks of losses. The Commission's claims resulting from these risks did not exceed the amount of insurance coverage in any of the past three fiscal years.

## **Supplemental Information**



**Region 2 Planning Commission**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Year Ended September 30, 2008**

	FHWA - PL 112		FTA - Section 5303		MDOT Section 253	Other	Total
	Federal	Local	Federal	Local			
<b>Revenues:</b>							
Grants:							
Federal	\$ 162,461	\$ -	\$ 33,069	\$ -	\$ -	\$ 90,403	\$ 285,933
State	-	-	-	-	24,245	36,283	60,528
Local	-	-	-	-	-	152,693	152,693
Membership and service fees	-	-	-	-	-	339,985	339,985
Contributed services	-	48,972	-	18,539	1	-	-
Other revenues	-	-	-	-	-	(5,789)	(5,789)
Total revenues	162,461	48,972	33,069	18,539	24,245	613,575	833,350
<b>Expenses:</b>							
Salaries and wages	66,059	-	13,799	-	9,586	165,812	255,256
Employee fringes	22,737	-	4,749	-	3,300	51,801	82,587
Other direct costs	4,169	48,972	4	18,539	1	218,645	224,091
Indirect costs	69,496	-	14,517	-	10,086	170,312	264,410
Total expenses	162,461	48,972	33,069	18,539	24,245	606,570	826,345
<b>Increase in Net Assets</b>	-	-	-	-	-	7,005	7,005
<b>Net Assets - Beginning of Year</b>	-	-	-	-	-	173,234	173,234
<b>Net Assets - End of Year</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,239	\$ 180,239

1 - Contributed Services provided by City of Jackson for FHWA and Jackson Transit Authority for FTA are included in the Financial Notes portion of the Fiscal Year 2008 audit for informational purposes only.

See Independent Auditors' Report.

**Region 2 Planning Commission**  
Schedule of Project Element Expenses - Budget and Actual  
Year Ended September 30, 2008

	<b>FHWA - PL 112</b>		<b>FTA - Section 5303</b>		<b>MDOT Section 253</b>	
	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Budget</b></u>	<u><b>Actual</b></u>
Transportation database management:						
Data monitoring and reporting	\$ 17,551	\$ 16,548	\$ 6,478	\$ 6,333	\$ -	\$ -
Transportation data system	8,482	8,218	3,122	2,623	-	-
Long-range transportation planning	36,959	35,709	5,340	5,007	-	-
Short-range transportation planning:						
TSM technical assistance	28,178	27,696	7,226	7,252	-	-
TSM corridor study	271	263	177	86	-	-
Transportation program management:						
Planning coordination	31,380	30,566	3,451	3,392	-	-
Improvement program	10,770	10,700	2,957	2,849	-	-
Program management	24,528	24,038	2,223	2,158	-	-
Planning work program	6,146	6,302	3,468	3,369	-	-
Safety conscious planning	2,511	2,421	-	-	-	-
HPMS update	-	-	-	-	8,545	6,641
Administration	-	-	-	-	1,800	1,640
Traffic counting	-	-	-	-	-	-
Public involvement	-	-	-	-	3,550	2,936
Heritage route	-	-	-	-	2,500	-
Rural safety planning	-	-	-	-	1,500	1,295
Non-motorized mapping	-	-	-	-	2,500	561
Access management	-	-	-	-	1,200	4
Technical assistance - Member Agencies	-	-	-	-	10,155	7,102
Technical assistance - MDOT	-	-	-	-	6,250	4,066
	<u><u>\$ 166,776</u></u>	<u><u>\$ 162,461</u></u>	<u><u>\$ 34,442</u></u>	<u><u>\$ 33,069</u></u>	<u><u>\$ 38,000</u></u>	<u><u>\$ 24,245</u></u>

See Independent Auditors' Report.

**Region 2 Planning Commission**  
Schedule of Final Indirect Cost Rate  
Year Ended September 30, 2008

<b>Labor and Fringes:</b>	<b>Total</b>	<b>Direct</b>	<b>Indirect</b>
Salaries and wages	\$ 369,767	\$ 255,256	\$ 114,511
Employee fringes	124,631	82,587	42,044
Total labor and fringes	<u>\$ 494,398</u>	<u>\$ 337,843</u>	<u>\$ 156,555</u>

**Indirect Operating Expenses:**

Travel	7,953
Supplies	17,766
Professional services	1,375
Training	1,817
Telephone	1,932
Small equipment	2,125
Postage/shipping	6,017
Equipment lease	8,336
Printing and copying	5,511
Insurance	9,096
Equipment repairs, maintenance	3,033
Office rent	33,516
Publication, dues and subscriptions	3,826
Depreciation	4,773
Miscellaneous	780
Total indirect operating expenses	<u>107,856</u>
Total indirect costs	<u>\$ 264,411</u>

Total Indirect Costs	\$ 264,411	78.2645%
Direct Labor and Fringes	<u>\$ 337,843</u>	

Note: Retiree Health Insurance included with employee fringes under Indirect.

See Independent Auditors' Report.



**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance With  
Government Auditing Standards**

Board of Commissioners  
Region 2 Planning Commission  
Jackson, Michigan

We have audited the financial statements of the business-type activities of Region 2 Planning Commission as of and for the year ended September 30, 2008, which collectively comprise Region 2 Planning Commission's basic financial statements and have issued our report thereon dated February 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Region 2 Planning Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control over financial reporting. We consider the deficiencies described as 2008-1, and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency described below as 2008-2 is a material weakness.

Board of Commissioners  
Region 2 Planning Commission

### **Compliance**

As part of obtaining reasonable assurance about whether Region 2 Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the response, and accordingly, we express no opinion on it.

This report is intended for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

February 12, 2009

### **Schedule of Findings and Responses**

**Finding 2008-1** Due to the limited personal in the accounting department, the Commission lacks segregation of duties over several areas, including cash receipting, journal entry processes, and cash disbursements. The limited size of the staff does not allow for segregating duties. The Commission should be aware of these areas and attempt to establish procedures to minimize this lack of controls.

**Response** The Commission has evaluated the situation and due to the size of the accounting department is unable to have total segregation of duties. We will address areas that can be improved upon, but expect this situation to be ongoing in future years.

**Finding 2008-2** During the course of the audit we proposed journal entries, which management agreed with and posted to the final general ledger. However, the entries had a material affect on the final financial statements. This is considered a material weakness under SAS #112.

**Response** The Commission has resolved the control issues related to the specific adjustments and does not anticipate requiring such adjustments in the future.



February 12, 2009

To the Executive Committee of  
Region 2 Planning Commission

We have audited the financial statements of the business-type activities of Region 2 Planning Commission for the year ended September 30, 2008, and have issued our report thereon dated February 12, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope as previously communicated to you.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Region 2 Planning Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Uncorrected misstatements identified totaled approximately \$3,500 net and related to capitalization of assets. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following material misstatement detected as a result of audit procedures was corrected by management: An adjustment was recorded to reflect a JTSP receivable relating to fiscal year activity totaling approximately \$20,000.

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**WILLIS & JURASEK, P.C.**

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### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 12, 2009.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Region 2 Planning Commission and its management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.



**Region 2 Planning Commission**  
Comments and Recommendations  
September 30, 2008

**Segregation of Duties** - Due to the limited number of employees with the accounting department, the Commission does not have sufficient segregation of duties in its accounting structure. While this is a common problem with small organizations, the Board of Commissioners should be aware and remain involved in the financial affairs to provide oversight and review as much as possible.

**Audit Organization** - Overall the accounting records were well maintained and easy to follow. The backup information was readily available and overall organization of the accounting department was well maintained.

**Project Budgets** – Consideration should be given to controls over overages on project budgets as such overages are unrecoverable and thus absorbed by the Commission.

**Cash and Investments** – Consider investing policies to strengthen returns and still allow for proper cash flow levels including possible use of laddering of CDs or longer-terms for same.

**Matching Requirements on Certain Federal Grants** – The Commission should be aware that certain costs have been questioned and may result in a disallowance and fund reimbursement requirement.